of the account Government and other securities, all the notes issued by the Issue Department which are not in circulation, and a small amount of gold and silver which the Banking Department holds as till money.

Sir Edward Holden's proposal is that the Act should be repealed practically in accordance with the system which has been adopted by the German Reichsbank. The principles which he enumerates, as those on which other national banks of issue work, are as follows :—

1. One bank of issue, and not divided into de-
partments.
2. Notes are created and issued on the security
of bills of exchange and on the cash balance, so that
a relation is established between the notes issued
and the discounts.
3. The notes issued are controlled by a fixed
ratio of gold to notes or of the cash balance to notes.
4. This fixed ratio may be lowered on payment
of a tax.
5. The notes should not exceed three times the
gold or cash balance.

By this revolution Sir Edward would abolish all legal restriction on the issue of notes by the Bank of England. It would hold a certain amount of gold or a certain airuount of cash balance against its notes, but in the " cash balance " Sir Edward apparently would include u millions odd of Government debt, or of Treasury notes. As long as its notes

were only three times the amount of the gold or of the " cash balance,[1]' and were backed as to the other two-thirds